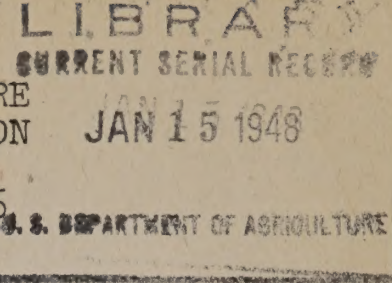


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UNITED STATES DEPARTMENT OF AGRICULTURE
PRODUCTION AND MARKETING ADMINISTRATION
INFORMATION SERVICE
641 Washington St., Room 956
New York 14, New York



A G R I C U L T U R A L M A R K E T I N G

(Script No. 2.....For use During
the period July 7--July 19, 1947)

SUBJECT: "How the U.S. Warehouse Act Works".

ANNOUNCER:

The process of moving America's food from farm to
-table is of direct concern to everyone. Today,
Station _____ presents another in a series of
broadcasts designed to tell farm people and city
people more about various phases of this process
and to bring you up-to-date information about the
latest developments in the field of agricultural
marketing.....With us in the studio today is
_____, of the _____ office of the Pro-
duction and Marketing Administration. What's
your subject today, _____?

PMA:

Now that the summer is well under way, _____,
another big harvest is beginning. Well, as you
know, it's just impossible to move everything
right at harvest time from farm to table. And
farmers wouldn't want to throw everything on the
market at once, even if it were possible. So, for
products that can be stored, warehousing is a very
important business.

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ANNOUNCER: Warehousing makes it possible to market certain crops in an orderly manner...is that it?

PMA: Yes, and it insures reserve supplies against future needs. So today I want to talk a little about how the United States Warehouse Act operates.

ANNOUNCER: The United States Warehouse Act?....I don't believe I ever heard of that one before.

PMA: That's quite possible, _____. Because very few warehouses here in the Northeast are licensed under this Act. Nevertheless, a large part of the nation's agricultural output passes through Federally-licensed warehouses at some stage of its journey to market.

ANNOUNCER: The very fact that many farmers in this area are not familiar with how the Act works would seem to make it a good idea for you to tell us something about it. Is this a recent measure, _____?

PMA: No indeed. It was passed back in 1916, at the start of the First World War. It was enacted to meet a crisis in agricultural credit for cotton existing at that time.

ANNOUNCER: I remember hearing that all the cotton exchanges were closed for a while about that period.

PMA:

With no established market cotton prices took a real tumble. Even when cotton dropped to a nickel a pound there were no buyers...And thousands of cotton growers faced the prospects of a large crop with practically no market and very little credit.

ANNOUNCER:

This begins to sound like a serial thriller..... one of those programs where we tell our listeners to tune in tomorrow to learn how our hero wins against terrible odds.....

PMA:

We won't have to wait till tomorrow,_____. Congress met the problem with the U.S. Warehouse Act. Originally it was written to help cotton farmers get loans in keeping with the value of their stored cotton...Since then the Act has been broadened until today nearly all staple farm products come under its terms of the Act.

ANNOUNCER:

Just how does the Act work,_____? Does the Government store the farmer's crop in Federal warehouses?

PMA.

No. The Act merely makes it easier for farmers to get loans on the real value of their products. As I said a moment ago, it's good sound business for farmers to be able to spread their marketings over several months rather than to be forced to sell right at harvest time. But in order to spread their marketings many farmers have a need for credit. Before the First World War good credit to finance crop production was hard to find. Many farmers had to sell their crops at harvest time no matter what the price was.

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The object of this study is to determine the
effect of the treatment on the growth of the
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The results of the study show that the treatment
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ANNOUNCER:

Why couldn't they just put their commodities into any warehouse and then use them as collateral for a bank loan?

PMA:

That's what many of them did. They put their crop into a warehouse and then applied for a bank loan, using the warehouse receipts as security. Unfortunately, though, the warehouse receipts weren't always good security.

ANNOUNCER:

Aha. Now for the villain in the piece. Why weren't the warehouse receipts always good security?

PMA:

As so often happens, a few unscrupulous characters made things hard on everybody. Sometimes a warehouse operator would take a farmer's crop, give him a receipt, and then sell the crop on his own. When the farmer or the bank came to redeem the receipt they might find that the goods were sold and the warehouse operator had gone into bankruptcy or had simply disappeared.

ANNOUNCER:

And all the farmer's work and sweat would be gone down the drain.

PMA:

Exactly. Of course, sometimes it would work the other way. A farmer might take his warehouse receipt to a bank and get a loan. Then he and the warehouse operator together might sell the crop and leave the bank holding the bag. Of course, there were many other types of schemes...and just careless business methods...which made it difficult for farmers to get full credit value for warehoused commodities.

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ANNOUNCER: With shenanigans like that going on I can see where many banks wouldn't be anxious to grant farmers loans on what they had put in storage. How did the Warehouse Act help out the situation?

PMA: Well, the Act gave the Secretary of Agriculture authority to issue Federal licenses to warehouse operators who were able to meet certain standards.

ANNOUNCER: Does this Federal license give the Government control over these commodities?

PMA. Only to the extent that it can then guarantee their value. In other words, when a farmer takes a warehouse receipt from a Federally licensed warehouse both he and the banker to whom he brings it know exactly what kind and quality of goods will be delivered when the receipt is redeemed.

ANNOUNCER: I wonder if you would explain the procedure in a little more detail.

PMA: Well, only operators of public warehouses those are the ones who accept products for storage from the public generally are eligible to be licensed.

ANNOUNCER: What standards does the Department of Agriculture set for a licensed warehouse operator?

PMA: In the first place he must have a suitable warehouse..... and it must have the proper equipment to handle the commodities stored there. Then the operator himself must have a good business reputation and have a certain net worth.

ANNOUNCER: I suppose that he must furnish a bond.

PMA: Yes, and the Department also requires that he must have qualified employees who have a thorough knowledge of how to weigh, inspect, and grade farm products.

ANNOUNCER: These certainly sound like reasonable requirements.

PMA: Then, in addition, certain standards have been set for the warehouse receipts which these licensed operators issue.

ANNOUNCER: What are those?

PMA: The receipts must show the quantity, condition, and quality of the product for which they are issued, and they must indicate the extent to which the product is insured.

ANNOUNCER: Those receipts, then, are a reliable guide to the actual value of the commodity that is stored?

PMA. That's right. This makes it easier for farmers to get credit on these items because bankers recognize that receipts issued by licensed warehouses are first-class security for loans on farm products.

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ANNOUNCER: From what you just said these receipts carry all the information that a banker would want to get if he were personally inspecting the stored product.

PMA: They do. For instance, a receipt given for grain stored in a licensed warehouse in Kansas may often serve as security for a loan by a New York bank. That's just one example of the reliance which many banks place on Federal warehouse licensing.

ANNOUNCER: That must mean that rate of loss on commodities stored in such warehouses must be pretty low.

PMA: In the thirty-one years since the Act was passed there hasn't been a single dollar of loss to any farmer or banker on any farm product stored in a Federally-licensed warehouse. And, when you consider that record don't forget that for the past fifteen years around two billion dollars worth of commodities have been stored each year in these warehouses.

ANNOUNCER: That is an impressive record, _____. I suppose that the thorough inspection these licensed warehouses are given has a great deal to do with it.

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PMA: Well, that and the fact that only the most reputable operators are licensed under the Act.....Actually though, the Federal inspectors do a very thorough job. Every warehouse is usually inspected three or four times a year. Each time samples of the commodity are taken to make sure that they are in the same condition as is indicated on the warehouse receipt.

ANNOUNCER:And the inspector probably checks also to see that the quantity of the commodity is the same as the receipt calls for.

PMA: Yes. In that way the person who holds the receipt can be sure of his security..... because the product cannot be removed legally until the receipt is returned to the warehouseman..... And a receipt can never be issued legally unless the products are actually in the warehouse at the time the receipt is issued.

ANNOUNCER: What else does the inspector check for?

PMA: He makes a careful examination of the condition of the warehouse itself...For example, he makes sure that the roof doesn't leak, that the floors are dry, that fire prevention equipment is in good order, and examines anything else that might affect the condition of the commodities stored there. And he also checks the warehouseman's financial condition.

ANNOUNCER: Sounds almost like a bank inspection.

PMA: It's just about as thorough. Our inspectors operate very much like bank examiners except that in this case it is commodities that are protected instead of dollars.

ANNOUNCER: From what you've told us it's pretty obvious that United States warehouse supervision is a big help to farmers in getting adequate credit based on the real value of their crops.

PMA: Don't forget, of course, that around the time that the Warehouse Act was passed and during the thirty-one years since then there have been several other laws passed to help farmers get good credit on reasonable terms. But this Act is still a very important source of credit to many farmers.... particularly in the grain and cotton belts. And farmers get many other benefits from Federal warehouse supervision besides.

ANNOUNCER: You've already pointed out that it helps farmers to market their crops whenever they want to instead of having to sell just at harvest time. What other advantages are there?

PMA: Well, for one thing, the Act provides farmers with a dependable place to store their products. They know that the warehouseman is dependable if he has a Federal license....And since the receipt tells everything about the commodity he can sell it to his best advantage.

ANNOUNCER: And then farmers get the benefit of Federal inspection of their products as long as they remain in these storage places.

PMA: That's right. Another benefit is that storage in warehouses which operate under a Federal license frequently allows farmers to receive lower insurance rates on their stored products.

ANNOUNCER: That hadn't occurred to me. But I can see where thorough Federal inspection and the Government's high warehouse standards might very easily result in lower insurance rates.

PMA: Now I hope I have not conveyed the impression that Federal licensing is the only assurance of reliability on the part of a warehouseman or that banks will honor only Federal warehouse receipts for loans. There are hundreds of warehousemen who don't have and don't believe they need a Federal license but who are thoroughly dependable and have excellent facilities. Many States also have warehouse licensing laws which keep storage operations up to a high standard. And the warehousing industry itself does many things to assure high operating standards among its members.

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ANNOUNCER:

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I'm sure that's true. Still I imagine it's fairly safe to say that the United States Warehouse Act had a great deal to do with developing the high standards under which most American warehousemen operate..... This has been a very interesting few minutes and I'm sure that our listeners have gotten a great deal from your discussion of the United States Warehouse Act, _____. Thank you for being with us today.....For the past _____ minutes you have been listening to another in the series of broadcasts on "Agricultural Marketing". With us in the studio today was _____, of the _____ office of the Production and Marketing Administration. This program has been brought to you as a public service by Station _____, in cooperation with United States Department of Agriculture.

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